



## City of Homer

[www.cityofhomer-ak.gov](http://www.cityofhomer-ak.gov)

Office of the City Manager

491 East Pioneer Avenue  
Homer, Alaska 99603

[citymanager@cityofhomer-ak.gov](mailto:citymanager@cityofhomer-ak.gov)

(p) 907-235-8121 x2222

(f) 907-235-3148

## City Manager's Report

TO: Mayor Wythe and Homer City Council  
FROM: Katie Koester, City Manager  
DATE: May 26, 2015  
SUBJECT: City Manager's Report

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### Bridge Creek Watershed Lots for Sale

I was approached by Aryn Young and Beau Burgess of Porcupine LLC regarding lots for sale in the Bridge Creek Watershed (see attached map). According to Planning Director Abboud, at a minimum 2 of these lots, lots 17368015 and 17368014 are rich with tributaries and would be very beneficial for the preservation of the watershed (see attached map). The assessed value of the lots is \$16,300 and \$20,000, however the lot owner is asking \$55,000 for both parcels. The lots would need to be appraised before they could be purchased by the City to determine fair market value. The City Council would need to identify a source of funding for land purchase. There is the Land Reserve fund, however it currently carries a small negative balance (-\$200). One option would be for the Council to advance with the land sales proposed in the Land Allocation Plan with the intention of building up the fund and pursuing purchase of the lots at a later date. A second option would be to transfer funds from the General Fund to the Land Reserve Fund (this is what is proposed in the resolution before you today authorizing the purchase of 40 acres of foreclosed property in the watershed from the Borough). However, Ms. Young indicated a desire to put the lots on the market in the near future, which means the City runs the risk of the lots selling before the City is able to build up the necessary capital. Of course the third option is to do nothing given the current fiscal climate. Please let me know if Council believes these lots are valuable enough to warrant further investigation.

### Blue Crest Energy Update

Port and Harbor Director Hawkins and I had a visit from Blue Crest Energy this week updating the City on plans for the drilling of the Cosmo oil project. The project is located on the bluff side of Milepost 151 of the Sterling Highway near Anchor Point. Though the rig and drill operation will be located onshore, the project will horizontally drill to access oil fields offshore. Product will primarily be trucked north to Nikiski. During construction, September – April, Blue Crest will be employing 300-350 people and depending on Homer hotels for housing employees that cannot be found locally (primarily through contractors). The City has put Blue Crest in touch with the Chamber and Homer Marine Trades Association as potential resources. During construction it is also likely that the Port will be used for bringing in construction materials, though details have yet to be finalized. I have included a Frequently

Asked Questions for your information. Blue Crest will be holding a public meeting on June 10<sup>th</sup> at Land's End.

### **Street Sweeping Delays**

Public Works was expecting to have their new sweeper (the one that picks up the bulk of the material as opposed to the vacuum sweeper that is for secondary cleanup) the first half of April. The unit was being manufactured over the winter. The vendor, Yukon Equipment, was late getting it to Homer and once it was delivered Public Works found programming issues with it. The vendor and manufacturer are working diligently on resolving the issues, however it has resulted in a delay of street sweeping. Unfortunately, this is taking place when we need that piece of equipment the most. Public Works has been using the vacuum sweeper as best as it can be used, but many streets still have not been swept. The vacuum unit is not designed to pick up heavy sand, so it is a slow operation to use it as a pick-up broom. The new unit was delivered on May 19<sup>th</sup> and Public Works will have it in operation every day until the streets are cleaned. Please be patient with street sweeping and know that Public Works is doing the best they can with the limited tools available.

### **Float Debris**

Councilmembers have heard from members of the public regarding float debris that have been found on Kachemak Bay beaches. As part of the harbor float replacement project, the contractor, Harris Sand and Gravel, was required to dispose of the old harbor floats. Unfortunately the City did not stipulate in the contract during the first phase of the project how the floats were to be disposed of and Harris Sand and Gravel gave floats from the first phase away to a number of different people last fall. The floats were taken to various sites around the bay and some obviously were not properly secured. No one knows for sure how many of the first phase 1 floats have become float debris. A recent letter from concerned residents leads us to believe that there are quite a few float sections that have gotten away from their owners and that some level of action needs to be taken. In the second phase (System 4 rehab) of the harbor float improvement project the city made stipulations in the contract as to how the demoed floats were to be disposed of. The floats were removed from the harbor to the chip pad and could only be reused/returned into the bay if the flotation billets were replaced with encapsulated billets as required by fish and game habitat.

The City has installed a dumpster above the commercial barge ramp for members of the public to deposit flotation debris that they find (see attached map). Debris cleanup is complicated by the fact that many of the old floats are on private property – this is why it is important that members of the public who have debris on their beaches, or were given the floats and cannot safely secure them, communicate with the City and Borough landfill so that arrangements can be made for proper disposal. The City provided dumpster will be for smaller parts and pieces. Persons interested in returning large float sections to the harbor recovered from the bay will need to contact the harbormaster so that arrangements can be made to remove the floats from the water.

Port and Harbor Director Hawkins, Public Works Director Meyer, and I will be meeting with Harris Sand and Gravel to discuss debris cleanup. I will keep you updated on the progress.

### **Water Storage/Distribution Improvements Project**

The funding for this project (\$1,922,577) continues to remain in the State budget. Public Works will be completing a grant application (to facilitate the preparation of a formal grant agreement) for the City Manager's signature. Public Works will be preparing a resolution authorizing the City Manager to execute the formal grant agreement, and an ordinance that appropriates the matching funds for the project from the HAWSP Fund (\$832,961) for Council action at the first meeting in June. (See attached letters to adjacent property owners for more information).

### **Jail Contract Cuts**

The final word is not in yet from the state on what the cuts will be to the jail contract; however the situation does not look good. Though the program was cut by 30% in the operating budget, program administrators and the Department of Public Safety were optimistic that funding solutions to help mitigate the damage could be found given the integral nature of Community Jails to the State. The latest word from the State is cuts could be as deep as 50%. The City of Homer is anticipating a cut of \$240,000- \$450,000. The Department of Corrections still does not have a final number for communities, though they hope to by the end of the month. The reality of the cuts are fast approaching; the State's fiscal year begins on July 1. I will be meeting with the Finance Director and Police Chief to discuss possible funding scenarios, how the City would react, and the risk involved to the City.

### **Natural Gas, Interest, and the Free Main Allowance**

The City started incurring interest on the loan from the Borough as soon as we made the first draw on the loan. Interest for all assessed property owners begins accruing on July 1, 2015. The first two years of interest payments were never calculated into the total project cost because the City did not really know what those costs would be because there was always the possibility the City might pay off early or perhaps borrow less because project costs were less than estimated. Either of those could change what the City ultimately paid in interest. The thought at the time was to budget for the interest and/or use the Free Main Allowance. The net result of this is that the first two years of interest payments, \$813,000 is absorbed by the project. This eats up a large chunk of the Free Main Allowance. The fiscal impact of losing the condominium case, if that were to happen, could cost around \$300,000, depending on how the Council decides to assess condominiums. At the very beginning of the project Enstar estimated we would receive \$1.6M in FMA over the course of 10 years. We have received \$1.1M to date. As you can see, there is very little wiggle room in the project to account for things like deferred assessments and additional exemptions. Essentially, by paying the first two years of interest on behalf of the property owners the City has given each property owner their share of the FMA up front instead of waiting until the loan has been paid off to redistribute any leftover funds. This equates to \$215 per lot owner.

FMA estimate from Enstar over 10 years	\$1,600,000
First two years of interest	-\$813,000
Assessments for condominiums	-\$326,200
Remaining	\$460,800

FMA current balance	\$1,100,000
First two years of interest	-\$813,000
Assessments for condominiums	-\$300,000
Remaining	-\$13,000

Enc:

Bridge Creek Watershed Parcel Map

Blue Crest FAQ

Map of Dumpster for Float Debris

State of Alaska DEC Funding Notice Water Storage and Distribution Improvements Project

Letters from Public Works to property owners impacted by water storage distribution improvements project

Memorandum 15-075 from IT Manager Poolos Re: Telephonic Participation at Council Meetings

Homer Foundation Quarterly Report

Thank You Card from Food Pantry

HEA Phone Scam Alert









# Frequently Asked Questions

Honor. Stewardship. Fidelity

1. *Who is BlueCrest Energy, Inc?*
2. *Where is the Cosmo oil project located?*
3. *Will Cosmo produce oil or gas?*
4. *What is the process and how will the oil get to market?*
5. *Will there be a traffic increase during construction and operations?*
6. *How is BlueCrest affiliated with Buccaneer Energy?*
7. *What job opportunities are there?*
8. *How will our community benefit from BlueCrest?*

## 1. Who is BlueCrest Energy, Inc?

BlueCrest Energy, Inc (BlueCrest) is a privately held venture focused on acquisition, exploration, and development of oil and gas resources. BlueCrest is based in Fort Worth, Texas with a regional office in Anchorage, Alaska. BlueCrest is the Cosmopolitan Development Project (Cosmo) operator in Cook Inlet. All of BlueCrest's directors and management have extensive experience in oil and gas in Alaska including work for ARCO, ConocoPhillips, BP, and Eni Petroleum and have close ties to Alaska. Our company values are centered on fulfilling our commitments to stakeholders, environmental stewardship, and fidelity to conducting our operations with the highest level of ethical standards.

## 2. Where is the Cosmo oil project located?

The project is located onshore about six miles north of Anchor Point and about 10 miles south of Ninilchik on an existing gravel pad near Milepost 151 the top of a 150 foot bluff along the eastern shore of Cook Inlet. Project components are located on both State of Alaska oil and gas leases and on private land in the Kenai Peninsula Borough (KPB).

## 3. Will Cosmo produce oil or gas?

Both, the Cosmo oil development project is located solely onshore. The Cosmo project will develop those reserves by accessing assets offshore in Cook Inlet. BlueCrest is evaluating and may choose to pursue an offshore gas play in the future. Offshore development would focus on dry gas only and recover reserves from a monopod platform.

## 4. What is the process and how will the oil get to market?

Once the oil is recovered through drilling operations, it will go through a separation and conditioning process for treatment. Treated oil will be stored in heated tanks until it is loaded into insulated trucks for transport from the Cosmo project area to the Tesoro refinery in Nikiski. Vehicles will travel primarily along the Sterling Highway from Anchor Point to Nikiski with some smaller access points in Kenai and Soldotna. An independent third party will be responsible for transportation operations.

## 5. Will there be a traffic increase during construction and operations?

The transportation corridor between Anchor Point and Ninilchik will experience an increase in mixed fleet vehicle traffic depending on the project's phase of construction and production. Currently, the Sterling Highway is the only transportation alternative for bringing oil to market. BlueCrest has completed a traffic analysis study to investigate traffic impacts to residents. Study results will help BlueCrest determine the best methods for minimizing impacts to residents.

## 6. How is BlueCrest affiliated with Buccaneer Energy?

BlueCrest is not affiliated with Buccaneer Energy. Buccaneer is an Australian based company that held assets in the Kenai Loop gas field at one time. BlueCrest is based entirely in United States. Its management staff and directors have a long history of doing business in Alaska and understand the importance of responsible resource development that contributes to Alaska's economy.



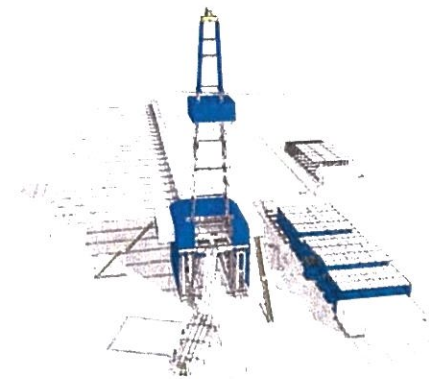
BlueCrest and Buccaneer had a partnership in 2011 and 2012 while negotiating leases in Cook Inlet. There are no shared financial interests between BlueCrest and Buccaneer and BlueCrest does not own any of Buccaneer's debt.

**7. What job opportunities are there?**

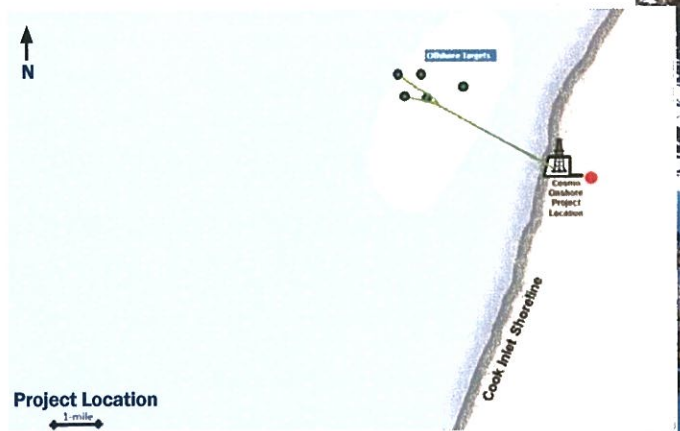
BlueCrest intends to use local residents and services primarily in the KPB and Anchorage to staff and support drilling and production operations in Anchor Point. Potential job opportunities include lodging and food services, rig crews and support personnel, drilling services, water and fuel needs, security and health and safety staff, field supervision, and maintenance and tradesman. BlueCrest will present information on the drilling and operations program to those interested in employment opportunities. Anyone hired will be required to complete all the appropriate training courses and able to accept employment based on BlueCrest hiring requirements and industry standards. Seasonal and long-term employment will be dictated by the nature of the position and existing development phase. BlueCrest will certify all contractors demonstrate compliance with health, safety, and training requirements.

**8. How will our community benefit from BlueCrest?**

In addition to local hire opportunities, the State of Alaska will benefit from a new source of tax and royalty revenues and the KPB will benefit from property tax revenue. BlueCrest is also working to identify community investment opportunities and is open to suggestions about what opportunities best support local residents.



Potential Rig Configuration



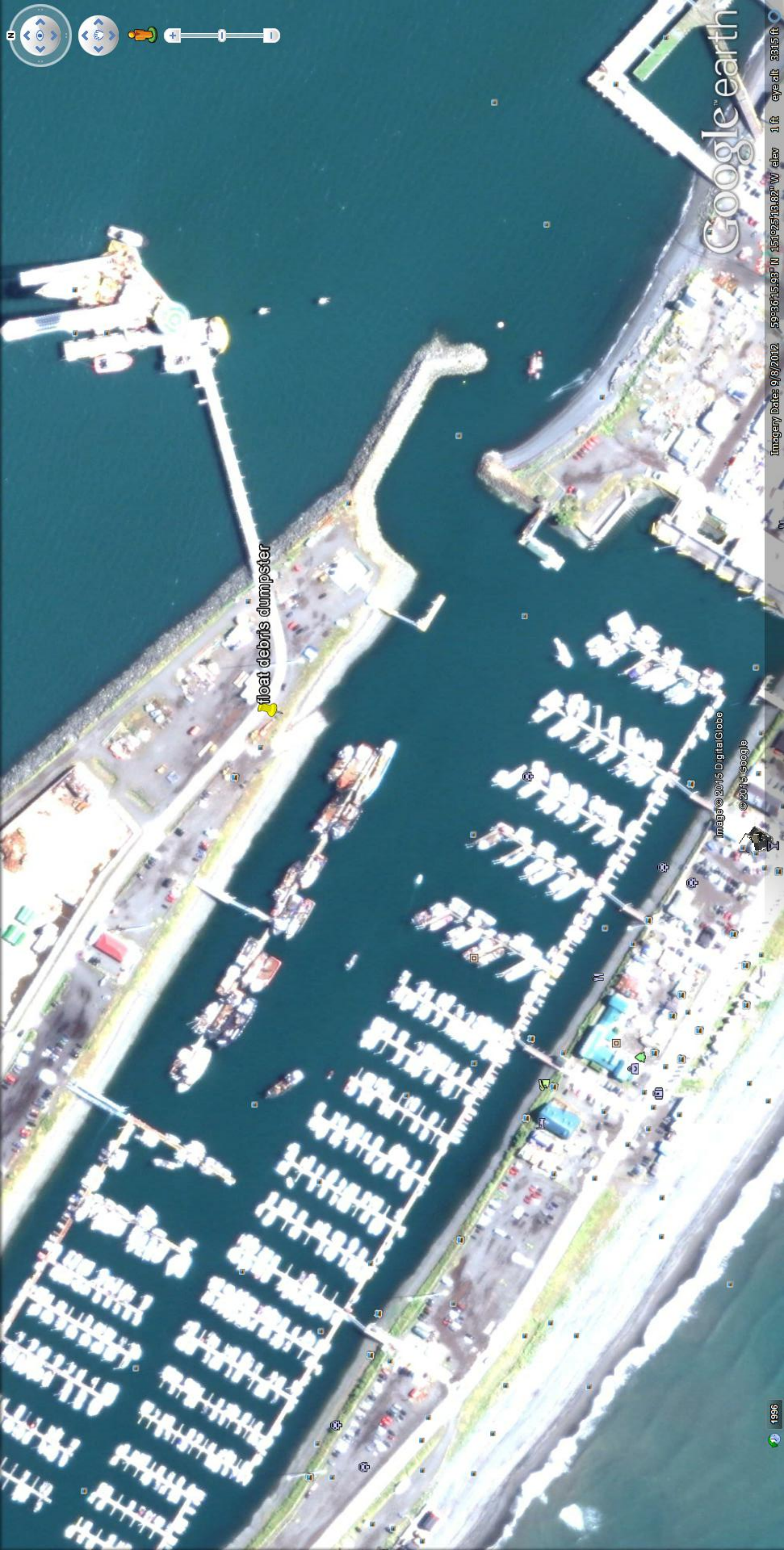
Project Location



Onshore Gravel Pad

Contact:  
Larry Burgess  
Health, Safety and Environment Manager  
lbjurgess@bluecrestenergy.com  
(907) 754-9552





float debris dumpster

Google earth

Imagery © 2015 DigitalGlobe

© 2015 Google

1996

Imagery Date: 9/8/2012 59°36'15.93" N 151°25'13.82" W elev 1 ft eye alt 3315 ft







THE STATE  
of **ALASKA**  
GOVERNOR BILL WALKER

Department of Environmental  
Conservation

DIVISION OF WATER

Post Office Box 111800  
Juneau, Alaska 99811-1800  
Main: 907.465.5300  
Fax: 907.465.5177  
[www.dec.alaska.gov](http://www.dec.alaska.gov)

May 19, 2015

Ms. Katie Koester  
City Manager  
City of Homer  
491 E. Pioneer Avenue  
Homer, AK 99603

RE: FY16 Funding Notice (SB26)

Dear Ms. Koester:

As you may be aware, your community will be eligible to receive \$1,922,577 in Municipal Matching Grant funding for the Water Storage and Distribution Improvements Project through the capital budget being finalized in the legislature. The local contribution (match) requirement is 30%. The grant number assigned to this project is MMG No. 40909.

Due to the need to ensure that state funds are obligated and expended in a timely manner, **we require you to submit your application for these funds by June 15, 2015 in order to have a grant offer in place by the beginning of State Fiscal Year 2016.**

By no later than June 15, 2015 please complete the online Grant application at the Division of Water, Municipal Grants and Loans Program Website:  
<http://dec.alaska.gov/water/MuniGrantsLoans/index.htm>. Additional information on the program, requirements and forms can be found on this page.

If you are not able to complete the grant application online, please mail (and e-mail) the completed signed grant application to the following address by June 15, 2015:

[DEC.Water.MGL.MAT@alaska.gov](mailto:DEC.Water.MGL.MAT@alaska.gov)

Alaska Department of Environmental Conservation  
Division of Water, Municipal Matching Grants & Loans Program  
Attn: MAT (Municipal Administrative Team)  
P.O. Box 111800  
410 Willoughby Avenue, Suite 303  
Juneau, AK 99811-1800

If you have any questions regarding this process you may contact me directly or any of the parties below:

Mike Lewis, Program Manager 907-269-7616 [mike.lewis@alaska.gov](mailto:mike.lewis@alaska.gov)  
Zorrie Cassell-Caparroso, Grants Accountant 907-465-5172 [soraida.cassell-caparroso@alaska.gov](mailto:soraida.cassell-caparroso@alaska.gov)  
Beth Verrelli, Project Engineer 907-269-7603 [beth.verrelli@alaska.gov](mailto:beth.verrelli@alaska.gov)

The department looks forward to working with the City of Homer on this jointly funded project to provide improved services to the residents of your community.

Sincerely,



Zorrie Cassell-Caparroso  
Municipal Grants and Loans Program Accountant

cc: Mike Lewis, Program Manager, ADEC  
Beth Verrelli, Project Engineer, ADEC





# City of Homer

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## Public Works

3575 Heath Street  
Homer, AK 99603

[publicworks@cityofhomer-ak.gov](mailto:publicworks@cityofhomer-ak.gov)

(p) 907- 235-3170

(f) 907-235-3145

May 12, 2015

**RE: Proposed South Slope Dr./Shellfish Ave. Water Line  
Status of Project**

Property Owner;

**Background:** Public Works, with the support of the City Council, has made completion of the water main on across Shellfish Avenue (from East Hill Road to Mountain View Drive) a high priority. Attached is a map that shows the location of the proposed water main. This water main will potentially provide water service to your property.

Extending a water main across Shellfish Avenue will:

- 1) Interconnect two isolated water pressure zones; increasing water service dependability City wide,
- 2) Provide more dependable domestic water service and fire flows to the South Peninsula Hospital,
- 3) Provide water and fire service to the adjacent properties, and
- 4) Provide water to the future Shellfish Avenue water storage tank site as recommended in the Water/Sewer Master Plan.

The design of the Shellfish/South Slope water line is complete and construction funding of this water main is still a part of the State budget. I expect that the water main will be bid later this summer.

Not all of your neighbors are looking forward to the installation of a water main down South Slope and across Shellfish Avenue. You yourself may or may not like the idea. But, connecting the two isolated sections of the water distribution system is, in my opinion, in the best interest of the community.

The completion of this work will have future financial impacts on you. The main purpose of this letter is to inform you about these potential impacts and help you make decisions that minimize the long term financial impact and maximize the benefits that come with the extension of piped water to your neighborhood.

### **Potential Scenarios:**

*The City moves forward with the installation of the water main.* No assessments will be levied and there would be no immediate financial obligation to property owners.

The City Council will be asked to provide us with direction regarding the conditions under which properties will be allowed to connect to the water main, but the following provisions, in my opinion, would most likely be implemented:

A policy will be developed or deferred assessments would be levied that will require that a “fair share” of the cost of installing the main be paid by the property owner before connection to the main is allowed. Current policy would suggest that the “fair share” would need to be paid in full prior to water service being provided. No City financing is currently available to assist in the payment of this cost. Before existing structures can be connected to the water main, property owners will need to show that there is an ADEC approved septic system serving the property. The Council could require that City piped sewer service be available before water service is provided. I estimate that the cost per lot to install the proposed water main is approximately \$20,000.

*Advantages* – No immediate financial obligation created for benefitted property owners.

*Disadvantages* – Benefitted property owners would be responsible for a “fair share” lump sum payment in the future before connection to the water main is allowed.

*A Special Assessment District (SAD) could be formed.* A special assessment district that would provide piped water to your neighborhood has never been attempted. The need for water has not been that great, due to the lack of development pressure in the area. But if a district was formed now, the City would pay 25% of the cost of the water main, and would secure low interest financing for the project which would allow for payments to be made over a 20 year period. The district could also include provisions for providing piped sewer service (with the City paying 25% of the cost and providing low interest financing). Previous projects have secured 1.5% financing. Both piped water and sewer service could be provided through the SAD process. No SAD could be created without a majority of affected property owners supporting its creation.

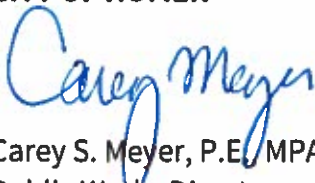
*Advantages* – Property owners could connect immediately to the water main, sewer could also be provided, and the City would subsidize the cost and provide low interest financing. No upfront lump sum payment to connect to the project would be required.

*Disadvantages* – Property owners not interested in connecting to the new system would be obligated to begin making payments in support of water (and maybe sewer) main construction.

I suspect that this situation may not be welcomed by you or your neighbors. I am sending this letter to let you know what is in the works, discuss options that can be pursued, and help you understand how the project might affect you. Please call me if you have questions (435-3124). I will also be scheduling a neighborhood meeting soon to allow for a more detailed face-to-face discussion of the proposed project.

Yours Very Truly;

**CITY OF HOMER**



Carey S. Meyer, P.E., MPA  
Public Works Director



## City of Homer

[www.cityofhomer-ak.gov](http://www.cityofhomer-ak.gov)

## Public Works

3575 Heath Street  
Homer, AK 99603

[publicworks@cityofhomer-ak.gov](mailto:publicworks@cityofhomer-ak.gov)

(p) 907- 235-3170

(f) 907-235-3145

May 11, 2015

**RE: Proposed Kachemak Drive Water Line  
Status of Project**

Property Owner;

**Background:** Public Works, with the support of the City Council, has made completion of the water main on Kachemak a high priority. Attached is a map that shows the location of the water mains installed over the last several years on Kachemak Drive (Phase I and II); and the last piece that will connect the two (what is now referred to a Phase III). You are a property owner within Phase III.

Phase I, constructed in 2008, extended the water main along Kachemak Drive from the south. Phase II, constructed in 2012, extended water from the north. There remains a 4,500' section in between.

Phase I created a 6,500' long dead end water main; Phase II created a 23,000' long dead end main. Connecting these water mains together will;

- 1) Improve drinking water quality along Kachemak Drive and reduce maintenance costs.
- 2) Provide water service and fire protection to the lots not now presently served with water.
- 3) Create another way to get water to the Spit (an important economic engine for our community).

The design of the Phase III water line is complete and construction funding of this water main is still a part of the State budget. I expect that the Kachemak Drive Phase III water main will be bid later this summer.

Not all of your neighbors are looking forward to the installation of a water main along the last section of Kachemak Drive. You may or may not like the idea. But, connecting the two long dead end mains is, in my opinion, in the best interest of the community.

The completion of this work will have future financial impacts on you. The main purpose of this letter is to inform you about these potential impacts and help you make decisions that minimize the long term financial impact and maximize the benefits that come with the extension of piped water to your neighborhood.

**Potential Scenarios:**

*The City moves forward with the installation of the water main.* No assessments will be levied and there would be no immediate financial obligation to property owners.

The City Council will be asked to provide us with direction regarding the conditions under which properties will be allowed to connect to the water main, but the following provisions, in my opinion, would most likely be implemented:

A policy will be developed or deferred assessments would be levied that will require that a “fair share” of the cost of installing the main be paid by the property owner before connection to the main is allowed. Current policy would suggest that the “fair share” would need to be paid in full prior to water service being provided. No City financing is currently available to assist in the payment of this cost. Before existing structures can be connected to the water main, property owners will need to should that there is an ADEC approved septic system serving the property. The Council could require that City piped sewer service be available before water service is provided. I estimate that the cost per lot to install the proposed water main is approximately \$21,000.

*Advantages* – No immediate financial obligation created for benefitted property owners.

*Disadvantages* – Benefitted property owners would be responsible for a “fair share” lump sum payment in the future before connection to the water main is allowed.

*A Special Assessment District (SAD) could be formed.* Attempts to form a district have failed in the past, but if a district was formed now, the City would pay 25% of the cost of the water main, and would secure low interest financing for the project which would allow for payments to be made over a 20 year period. The district could also include provisions for providing piped sewer service (with the City paying 25% of the cost and providing low interest financing). Previous projects have secured 1.5% financing. Both piped water and sewer service could be provided through the SAD process. No SAD could be created without a majority of affected property owners supporting its creation.

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Yours Very Truly;

**CITY OF HOMER**



Carey S. Meyer, P.E., MPA  
Public Works Director



**HOMER FOUNDATION**  
Quarterly Report to Fund Holders  
*Jan - Mar 2015*

Fund Holder    City of Homer  
Fund            **City of Homer Fund**

Fund Type:    Field of Interest  
Fund Code:    1305

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**PORTFOLIO SHARE (Corpus)**

Beginning Balance	217,132.97
Contributions	-
Withdrawals	-
Portfolio Market Change	(4,548.27)
<b>Ending Balance</b>	<b>212,584.70</b>

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**AVAILABLE FOR DISTRIBUTION (Earnings)**

Beginning Balance	18,249.47
Earnings Allocation	2,857.60
Grants Awarded: None	-
Grants Total	-
Transfers	-
<b>Ending Balance</b>	<b>21,107.07</b>





City of Homer

April 28<sup>th</sup>, 2015

We do depend on the support of the City of Homer to enable us to help vulnerable citizens among us

We so appreciate all you do with us!  
Lonna Wells

Non-profits are of process value to a healthy community

Russ Decker

Thanks so much for your help and support. Can't do it without you. Love just

Thank you!  
Connie Creal

Thanks!  
Pete Finis

Pat Boone  
Thank you for your help

Thank you so much!  
Dore Vinters

Thanks!  
Bill Wells

The Board of the Home Food Pantry


None should go hungry or feel helpless in a time of need







Homer Electric  
Association, Inc.

A Touchstone Energy® Cooperative 

3977 Lake Street, Homer, AK 99603 (907) 235-8551  
280 Airport Way, Kenai, AK 99611 (907) 283-5831

## **Public Service Announcement**

**DATE: May 16, 2015**

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### **Phone scams reported in southcentral Alaska**

Utilities, including Homer Electric, are getting reports from businesses regarding suspicious phone calls.

The phone scam is targeting customers in Anchorage and on the Kenai Peninsula.

The fraudulent caller impersonates a utility representative and requests payment for the customer's supposed past due bill and threatens immediate disconnection of electric service if the bill is not paid. The goal of the scammers is to obtain credit card or other financial information.

If a suspicious phone call is received, end the phone call and contact Homer Electric for verification and to check the status of your account. Homer Electric has a protocol for contacting members which includes advanced notification prior to a phone call.

Scammers are becoming smarter, so don't be fooled by caller ID even if it says Homer Electric Association.

Never give anyone your personal information such as your Social Security number, bank account number or credit card number unless you initiated the conversation and you are confident the transaction is legitimate.

If you have questions or need additional information, please call 1-800-478-8551.

